

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Review of City's Compensation Program
DEPARTMENT: Human Resources
PRESENTED BY: Marci Wright, Human Resources Director

PROBLEM/ISSUE STATEMENT:

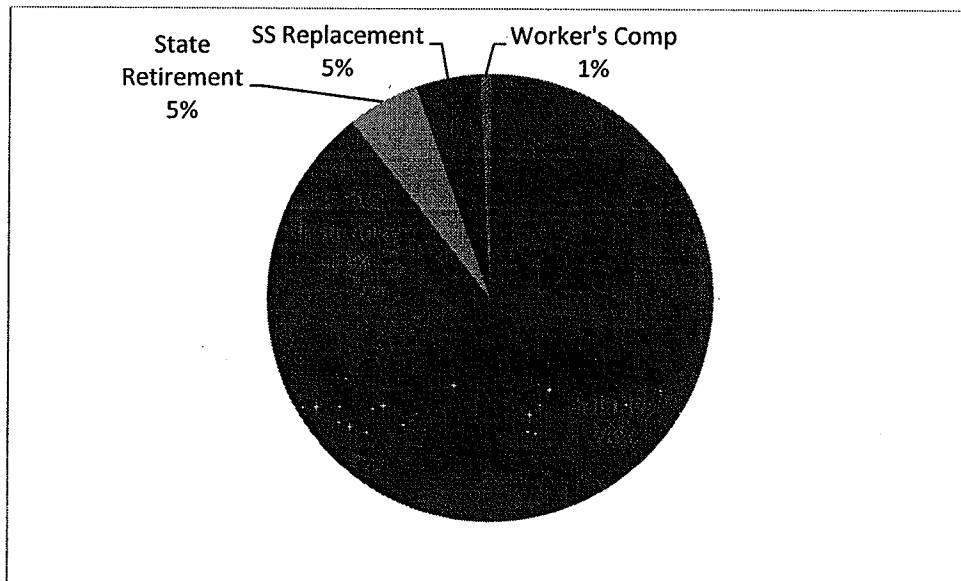
In November, staff met with City Council to present an overview of the City's compensation system. Since that discussion, we researched two issues:

- Conducted an expanded sample alternative "salary survey" using data from the Association of Washington's City's annual salary survey
- Determined the "cost per FTE" of health benefit coverage of each of our comparable jurisdictions

Tonight we will present the results of this work.

FINANCIAL IMPACT:

The 2011 proposed budget totals \$69.9 million. Total salaries and benefits for the City's 137 FTE (full-time equivalents excluding City Council) is \$13.4 million, which is approximately 19% of the total budget. Of this total, 75% is spent on salaries and 25% is spent on benefits.



Approximately 82% of the budgeted salaries and benefits for regular employees are paid from the City's operating budget. The remaining 18% is paid from the City's capital and surface water utility budgets. .

Staff does not believe the information presented this evening would lead to any significant change in the amount spent on City salaries and benefits.

RECOMMENDATION

This report is for Council information. No action is required.

Approved By:

City Manager



City Attorney ____

INTRODUCTION

As a result of our discussions with Council at our November briefing, staff proceeded to gather some additional information to add context to the City's approach to salary and benefits. Specifically we gathered some readily available information to cross check our current salary survey policies and results against a broader sample size and to provide a measure of comparing our health benefit costs with our existing comparable jurisdictions.

BACKGROUND

Since 1997, the City has consistently used the same list of jurisdictions as our defined labor market for salary comparisons. The ten jurisdictions used for the vast majority of City classifications:

- Auburn
- Bellevue (non-Leadership Team only)
- Edmonds
- Everett
- Federal Way
- Kent
- Kirkland
- Redmond
- Renton
- King County (non-Leadership Team only)

For the purposes of compensation of Leadership Team members, we substitute two smaller cities for the two largest jurisdictions of King County and Bellevue. The two substitute cities are Lakewood and Olympia.

The City annually conducts a survey for approximately a third of our classifications—we rotate the “thirds” through a three year cycle. We survey our defined labor market jurisdictions—for classifications where we identify 5 or more matches, we calculate the median salary. We consider our classification to be “within market” if the median is plus or minus 5% of the City of Shoreline salary. When our salary is more than 5% above or below the market median, we adjust our salary, up or down, to come within the 5% threshold.

Cross-check of Market

To provide a look at a broader sample, staff utilized available data from the Association of Washington Cities (AWC). AWC conducts an annual salary survey of counties and cities throughout the state. We used the classifications included in their 2010 survey where the City of Shoreline had reported a match and then analyzed their results for a larger sample (as described below). A precautionary note about this data—because AWC conducts such a large survey, contains very brief and broad descriptions of the work performed and relies entirely on self-reporting by jurisdictions, the results are not always the same as a more targeted, more analytical survey. Often a jurisdiction reports a “match” to AWC that would not hold up to more specific comparisons to the

actual work done at Shoreline. It does, however, provide a readily available database to use for the sake of conducting a broader verification review of our current comparables and market.

For comparison purposes, we thought it best to cast a very wide net in creating the sample. So for this purpose, we decided to focus on the greater Puget Sound region and looked at 18 jurisdictions in King, Pierce and Snohomish County—the 9 cities immediately below Shoreline's population and the 8 cities plus King County above Shoreline in population. In order of population, these jurisdictions are:

1. King County
2. Bellevue
3. Everett
4. Federal Way
5. Kent
6. Renton
7. Auburn
8. Lakewood
9. Marysville
10. Redmond
11. Kirkland
12. Sammamish
13. Edmonds
14. Puyallup
15. Lynnwood
16. Bothell
17. Burien
18. University Place

We then looked at the 38 classifications included in the AWC survey where the City of Shoreline had a matched classification. To be consistent with our normal survey approach, we required at least half of the jurisdictions (required 9 or more) to report a match to consider the result and we considered the City of Shoreline salary to be within market when it was within 5% (above or below) the median of the reporting jurisdiction.

The result of this alternative survey was as follows:

- 34 classifications had at least 9 reported matches
- 23 of the 34 were "within market"—68%
- Of the 11 classifications not within market
 - 8 were above market—24%
 - 3 were below market—9%

And looking at the high end of the salary ranges—those classifications included in the survey where City of Shoreline salary maximum exceeds \$100,000

- 8 of 9 were within market
- the 9th classification was below market

Because this broad sample indicates that a strong majority of classifications—over two thirds—would continue to be within market, it appears that our current approach to establishing comparable jurisdictions is a reasonable approximation of a market. And

this appears to be particularly true at the high end of our salaries. It is worthwhile noting that with any alternative sample of cities we may choose for comparison checking there will be a number of classifications above and below our current plus or minus 5% range. This is due to the fact that we have keyed our salaries to the median of the 9 specific cities and over the years have achieved median comparability with them. So as indicated above, staff believes that having two-thirds comparability with the larger cross check sample is a reasonable verification of our current practice.

One issue worthy of consideration: while this look at the broader sample shows there is not likely to be a significant change in overall salary cost, it also suggests that “tweaking” our current market could cause considerable internal disruption and impact employee morale. This is because any difference in sample will result in some differences in outcome and differences in outcome at the individual employee level can disrupt established internal alignments. This disruption could lead to “winners” and “losers” and negatively impact employee morale.

Cost Per FTE Look at Health Benefits

In order to develop one comparative measure of the City's health benefit costs, staff surveyed our current established labor market to determine the health benefit cost per full time equivalent employee. The results are as follows:

City	Average Cost Per FTE
Auburn	No Reply
Kirkland	\$17,537
Kent	\$16,440
Renton	\$16,188
King County	\$15,984
Edmonds	\$15,500
Redmond	\$14,233
Bellevue	\$14,107
Shoreline	\$12,982
Federal Way	\$12,821
Everett	\$10,601

As you can see from the Table, of the nine jurisdictions that supplied information, seven of the jurisdictions pay more per FTE than does the City of Shoreline. Although comparison of health related benefits is a very complex issue and this is just one measure, it does suggest that there is no need for immediate action on changing benefits and reinforces that it is reasonable to do the in-depth look at health insurance policies and costs already planned for this year.

RECOMMENDATION

This report is for Council information. No action is required.